New Business Models for
Public Higher Education
Or
How To Learn To Ride a Backward Brain Bicycle

Presentation to:

Colorado Commission for Higher Education
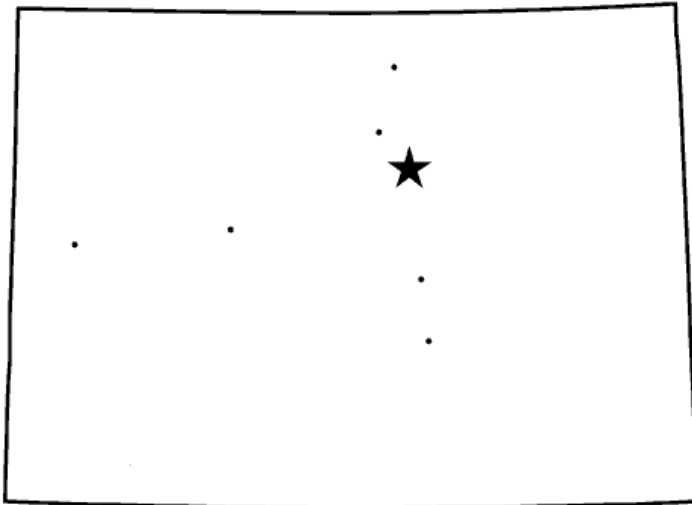
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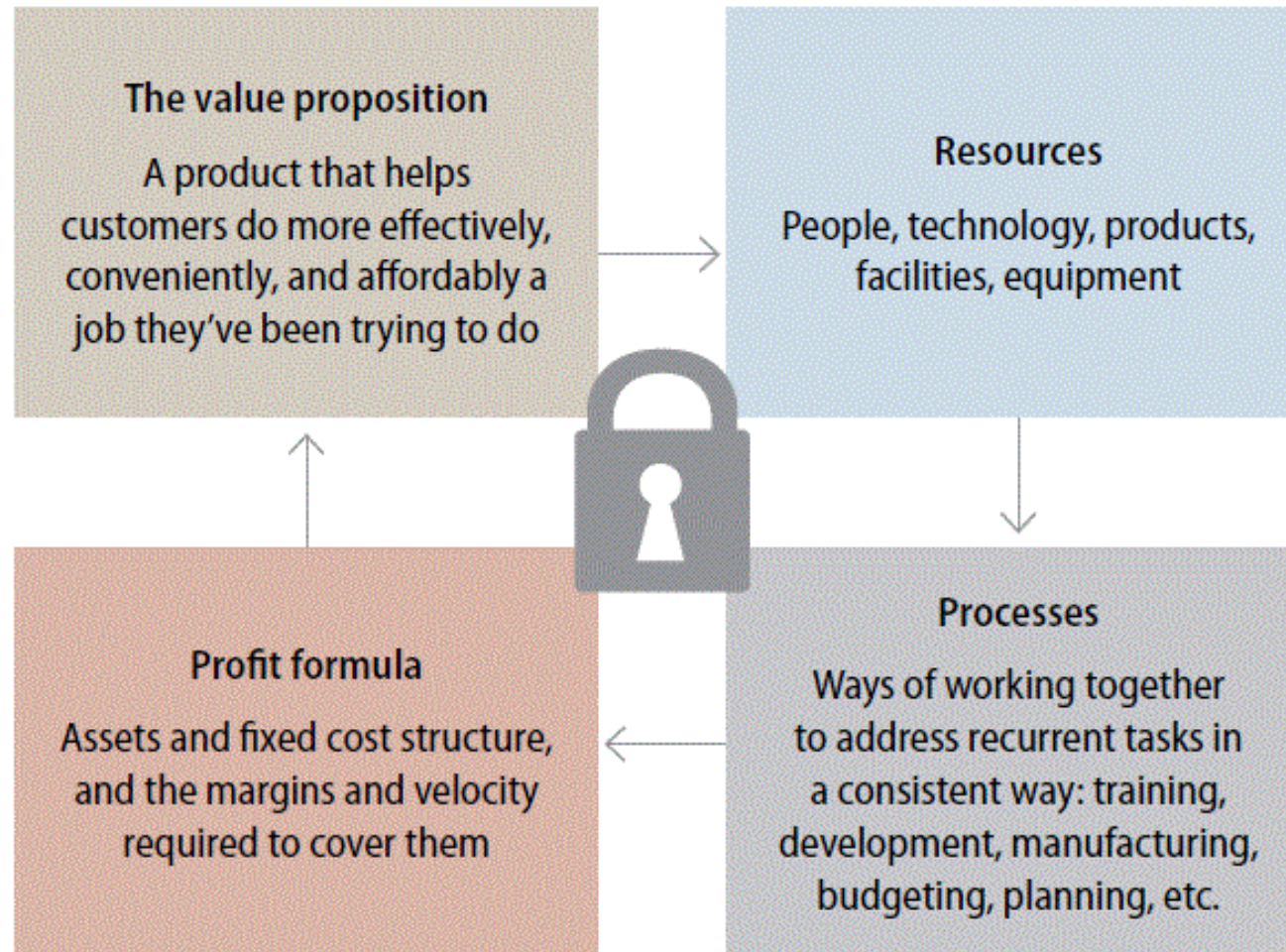
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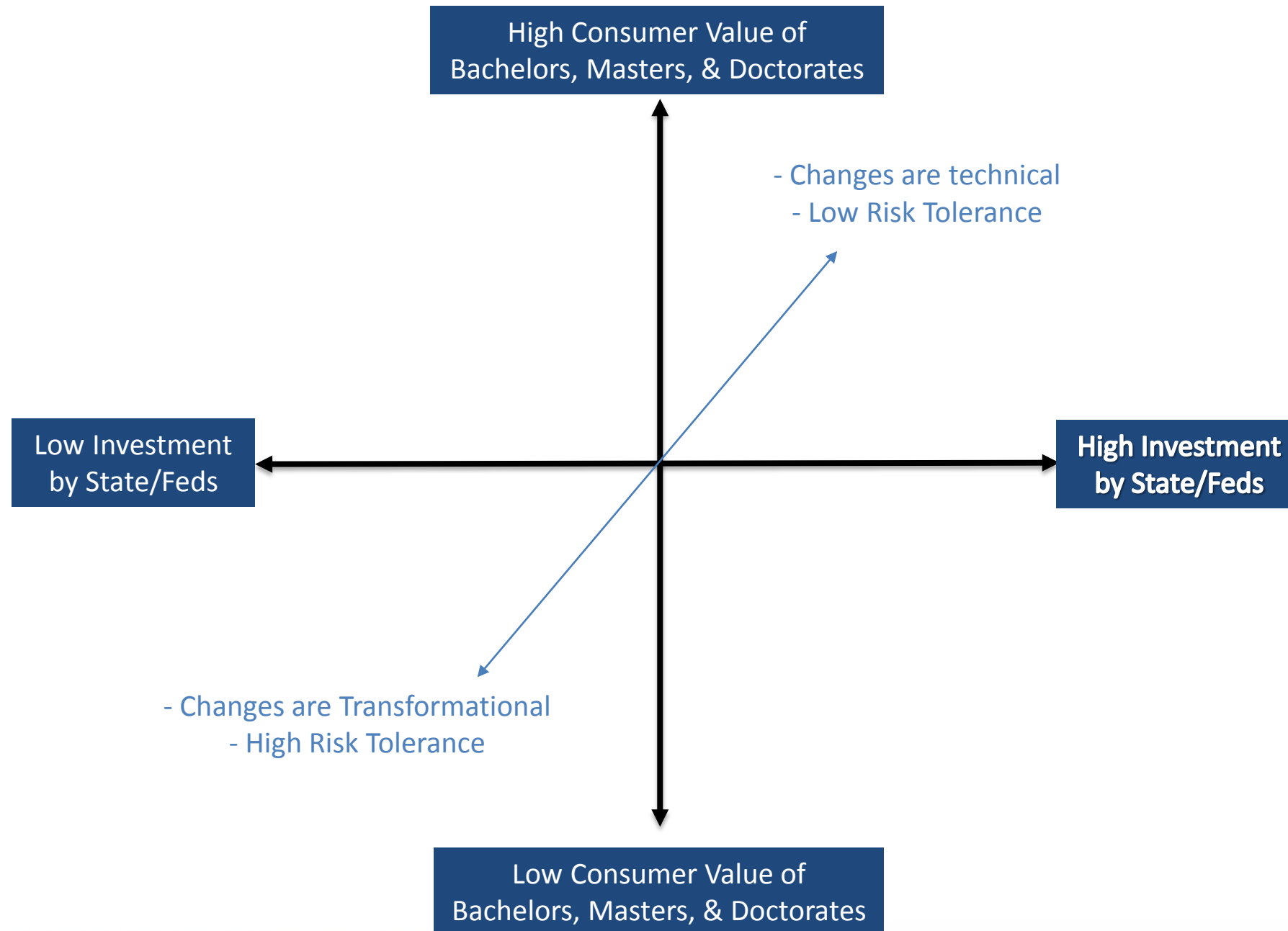# Public Funding Decline Challenges Affordability

COLORADO
www.50states.com

- State universities
- State funded universities
- State supported universities
- State *located* universities

- If we desire to keep universities available, affordable, and accessible for the majority of Americans, we have to create a new business model without significant State funding.

Business Model Definition

The value proposition

A product that helps customers do more effectively, conveniently, and affordably a job they've been trying to do

Resources

People, technology, products, facilities, equipment

Profit formula

Assets and fixed cost structure, and the margins and velocity required to cover them

Processes

Ways of working together to address recurrent tasks in a consistent way: training, development, manufacturing, budgeting, planning, etc.

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How This Transformational Change Feels

Towards

- Specialization of educational offerings and avoidance of direct competition.
- Business intelligence through disaggregation of data and informed analysis.
- More profit-based, university controlled enterprises in direct competition with the private sector.
- Activity based costing.
- Cash-funded academic programs where high student demand meets high job demand meets high salaries.

Towards

- New educational products that do not confer traditional degrees.
- Intrusion into educational areas previously occupied by trade schools, technical schools, private educators.
- Fewer but higher risk ventures.
- Not controlled, but *reduced* costs of delivery.

Traditional | New

Traditional

- <u>Products</u>: Degrees
- <u>Revenues</u>: State, Tuition, Fees, Federal/State Grants, Donors

- <u>Expenses</u>: Prior year ± budgeting, faculty and staff compensation top expenses, physical plant, capital needs.

New

- <u>Products</u>: Education
- <u>Revenues</u>: Tuition/learner fees, grants, donors, earned income, business profits, Federal, State

- <u>Expenses</u>: Elimination of non-value added services and academic programs, compensation remains top expense, IT/cyber move up.

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Traditional

- <u>Operations:</u> State is THE customer, systems oriented around State timing, processes, regulations
- <u>Sales strategies</u>: 1 credit hour at a time to thousands of "customers"

- <u>Customer retention</u>: 30-40% annual turnover rate

New

- <u>Operations</u>: Student/learner is THE customer, processes align with student/learner timing, budgets less certain
- <u>Sales strategies</u>: Bundles of education to corporate clients, disaggregating services for client customization
- <u>Customer retention</u>: Provide education to same person over a lifetime

Traditional	New
• Culture: Slow, deliberate, regulatory, enrollment only nominally important, State funding weakly related to enrollment changes	• Culture: Student satisfaction more important than State satisfaction, customer service becomes differentiating factor, individualization of experience
• Data: Rear view statistics and measures, lag indicators, input oriented, outdated national level reporting, untimely comparison information.	• Data: Analytics, disaggregation, lead indicators, real-time reviews for immediate response, outcome oriented, harder to compare across universities due to individualization.

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There Is Good News